

UNITED STATES DISTRICT COURT
for the
Northern District of New York

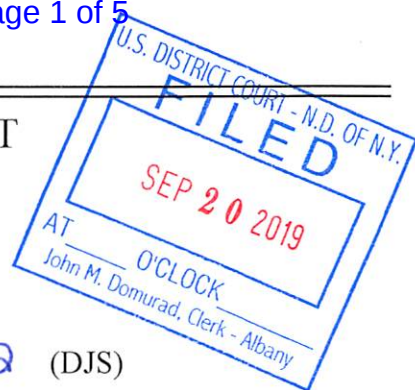
UNITED STATES OF AMERICA)

v.)

MICHAEL T. MANN,)

Defendant.)

Case No. 1:19-MJ- 602 (DJS)



CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief. On or about the dates of August 1, 2019 through August 30, 2019, in the county of Saratoga in the Northern District of New York, and elsewhere, the defendant violated:

Code Section
18 U.S.C. § 1344

Offense Description
Bank fraud

This criminal complaint is based on these facts:
Please see attached affidavit.

☒ Continued on the attached sheet.

Attested to by the Applicant in Accordance with
the Requirements of Rule 4.1 of the Federal
Rules of Criminal Procedure.

Complainant's signature

FBI Special Agent Matthew J. Wabby

Printed name and title

Sworn to before me and signed in my presence.

Date: 9/20/2019

Judge's signature

City and State: Albany, New York

Hon. Daniel J. Stewart, U.S. Magistrate Judge

Printed name and title

Affidavit in Support of a Criminal Complaint

Special Agent **Matthew J. Wabby**, of the Federal Bureau of Investigation (FBI), deposes and states as follows:

Introduction

1. I respectfully submit this affidavit in support of a criminal complaint charging Michael T. Mann ("Mann") with committing bank fraud, in violation of 18 U.S.C. § 1344.

2. I am a Special Agent with the FBI, and have been so employed since September 2012. In June 2019, I was assigned to the FBI Albany Field Office's White Collar Squad, investigating corruption, fraud, money laundering, and related crimes.

3. Previously I was assigned to the FBI's Plattsburgh Residence Agency and investigated a variety of crimes within the jurisdiction of the FBI, including corruption of federal officers, drug trafficking organizations, money laundering, financial crimes (including wire fraud), and violent crimes. Prior to becoming a Special Agent, I worked in public accounting for approximately seven years, where I became a Certified Public Accountant (CPA). I am still a licensed CPA and also a Certified Fraud Examiner (CFE).

4. I am familiar with the facts of this case based on my personal involvement in this investigation and my conversations with law enforcement officers and agencies, my review of various reports in connection with the matter, and my interviews of witnesses. Where statements of others are related in this affidavit, they are related in substance and in part. Because this affidavit is submitted for the limited purpose of showing probable cause for a complaint, I have not set forth every fact that I know concerning this investigation.

Statute

5. Section 1344 of Title 18 of the United States Code states:

Whoever knowingly executes, or attempts to execute, a scheme or artifice—

(1) to defraud a financial institution; or

(2) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises;

shall be fined not more than \$1,000,000 or imprisoned not more than 30 years, or both.

Basis for a Finding of Probable Cause

6. Mann operates ValueWise Corporation (“ValueWise”), which is the parent company of MyPayrollHr (“MyPayroll”). These companies, and others controlled by Mann, maintain accounts at Pioneer Bank (“Pioneer”) and Bank of America (“BOA”). Pioneer and BOA are both financial institutions insured by the Federal Deposit Insurance Corporation.

7. Until this month, MyPayroll, based in Clifton Park, New York, processed payroll and tax payments for small-business clients located across the country. MyPayroll appears to have had approximately 1,000 clients, which in turn, collectively, appear to have thousands of employees. On or about September 5, 2019, MyPayroll suddenly ceased operations.

8. MyPayroll processed payroll through the Automated Clearing House (ACH) network. Cachet Financial Services (“Cachet”), based in Pasadena, California, acted as MyPayroll’s ACH intermediary, routing payments from MyPayroll’s clients to those clients’ employees pursuant to instructions provided by MyPayroll.

9. Cachet’s representatives have stated that on or about September 5, 2019, MyPayroll failed to route employers’ payroll payments to Cachet, as scheduled.

10. Around the same time, both Bank of America and Pioneer froze Mann's companies' accounts. BOA has reported that it froze the accounts because Mann was "kiting" millions of dollars in checks between his accounts at BOA and Pioneer, from August 1, 2019 through August 30, 2019. From my training and experience, I know kiting to be a common form of fraud in which an individual writes checks drawn on one account and deposits them to a second account (with the accounts at different banks), and then reverses the process by immediately writing checks from the second account back to the first account. This inflates the balance for one or both accounts, and can create the appearance that someone has more money than they actually have. (Check kiting can also involve more than two accounts.)

11. On September 10, 2019, Mann appeared with counsel at the United States Attorney's Office in Albany, where he was interviewed by myself and others. The interview was recorded. He was informed, and said he understood, that his statements could be used against him.

12. In sum and substance, Mann stated that he wished to accept responsibility for his conduct, and confess to a fraudulent scheme that he had been running for years.

13. Starting in 2010 or 2011, according to Mann, he began borrowing large sums of money from banks and financing companies under false pretenses. While stating that MyPayroll was legitimate, he admitted to creating other companies that had no purpose other than to be used in the fraud; fraudulently representing to banks and financing companies that his fake businesses had certain receivables that they did not have; and obtaining loans and lines of credit by borrowing against these non-existent receivables.

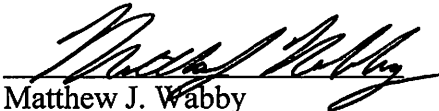
14. Mann estimated that he fraudulently obtained about \$70 million that he has not paid back. He claimed that he committed the fraud in response to business and financial

pressures, and that he used almost all of the fraudulently obtained funds to sustain certain businesses, and purchase and start new ones. He also admitted to kiting checks between Bank of America and Pioneer, as part of the fraudulent scheme.

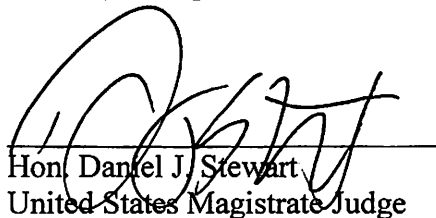
15. Pioneer was Mann's largest creditor, according to Mann. In sum and substance, Mann stated that the payroll issue – described in paragraphs 7 through 9 above – was precipitated by his decision to route MyPayroll's clients' payroll payments to an account at Pioneer instead of directly to Cachet. He did this in order to temporarily reduce the amount of money he owed to Pioneer. When Pioneer froze Mann's accounts, it also (inadvertently) stopped movement of MyPayroll's clients' payroll payments to Cachet.

Conclusion

16. I respectfully submit that this affidavit supports probable cause for a criminal complaint charging Michael T. Mann with committing bank fraud, in violation of 18 U.S.C. § 1344.


Matthew J. Wabby
FBI Special Agent

Sworn to before me this
20th day of September, 2019


Hon. Daniel J. Stewart
United States Magistrate Judge